MainStreet Advisors
Financial Market Update

May 27, 2011

Economic Update

The G-8 member countries met for a summit this week in Deauville, France. The fiscal woes of Europe and the ballooning deficit in the U.S. were on the agenda, with both sides pledging to address their respective issues. The group was also concerned about the rising cost of raw materials, according to a statement prepared for the leaders. “Commodity prices and their excessive volatility pose a significant headwind to the recovery.”

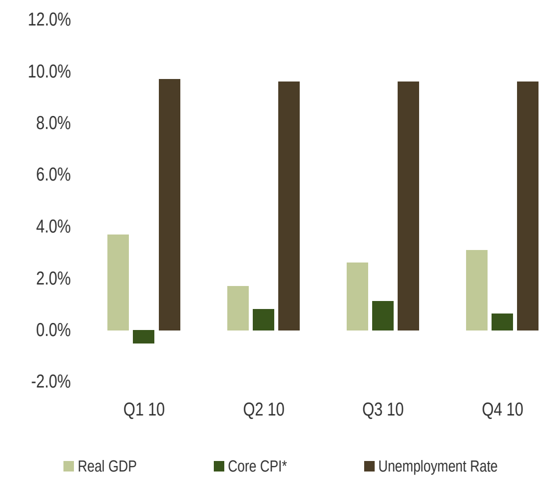
The second release of the GDP estimate from the Commerce Department reaffirmed that growth in the first quarter was weak. The growth rate of gross domestic product in the first quarter remained unchanged at 1.8%, disappointing economists that were expecting the number to be revised up. The report also showed that consumption slowed more than originally estimated, as consumer spending was revised down 2.2% from the original 2.7% estimate. A decline in aircraft demand and the ongoing disruption to the automotive industry as a result of the earthquake in Japan contributed to a larger than expected 3.6% drop in durable goods.

There was little change in the employment picture this week, as the job recovery struggles to gain traction. Initial jobless claims for the week ended May 21 were 424,000, edging up 10,000 from the previous week’s upwardly revised number, according to the Labor Department. This was the seventh week in a row now that claims were above the key 400,000 figure. Continuing claims improved however, falling 46,000 to 3,690,000 for the week ended May 14.

Record housing affordability may finally be having somewhat of a positive impact on the real estate market. New home sales rose for the second straight month in April, climbing 7.3% to a 323,000 annual pace, according to the Commerce Department. New home sales bottomed out at 278,000 back in February, the lowest level since tracking of the data started back in 1963. Nonetheless, the prospect of a continuing stream of foreclosures over the next few years remains a strong headwind for any sustained improvement.

Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Conference Board, the National Association of Realtors, the National Association of Home Builders, the European Central Bank.

Economic Indicators, Quarterly Change

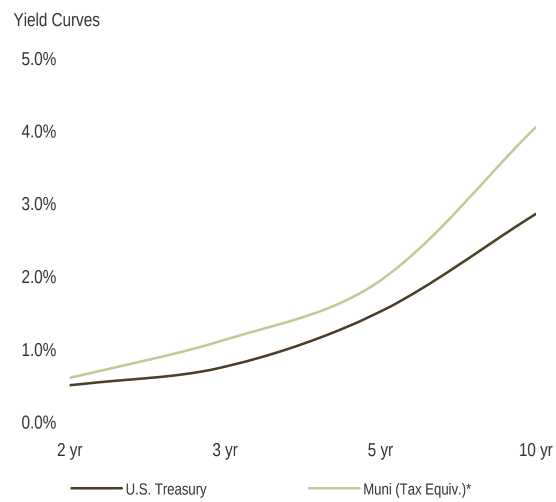


Source: Bureau of Economic Analysis, Bureau of Labor Statistics
*Core CPI excludes energy and food prices from the calculation of the Consumer Price Index

May 24th	ICSC-Goldman Same Store Sales, Wkly. Chg.	-1.0%
May 24th	New Home Sales, April	323,000
May 25th	MBA Purchase Applications Index, Wkly. Chg.	1.5%
May 25th	EIA Petroleum Status Report, Wkly. Chg.	0.6M Barrels
May 26th	GDP Price Index, Q1 Quarterly Change SAAR*	1.8%
May 26th	Initial Jobless Claims (Week ending 5/21)	424,000
May 26th	EIA Natural Gas Report, Wkly. Chg.	105 bcf
May 27th	Personal Income, April Monthly Chg.	0.4%
May 27th	Consumer Sentiment Index, May	74.3
May 27th	Pending Home Sales, Apr. Monthly Chg.	-11.6%

Bond Market Update

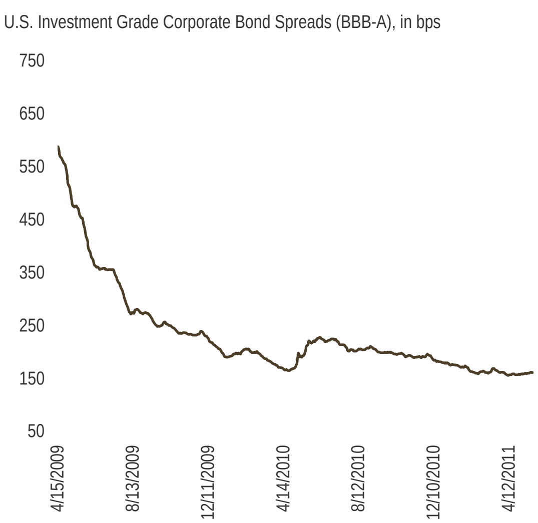
Demand for safe-haven investments sparked another rally in U.S. Treasuries as concerns regarding the debt crisis in Europe intensified. Another factor driving demand for U.S. government debt included weaker than expected economic data, suggesting the Federal Reserve will likely hold short-term interest rates in the 0 to 25 basis point range for a longer period than previously anticipated. The government's sale of seven-year notes on Thursday attracted the strongest demand on record, according to Bloomberg. Against this backdrop, the yield on the 10-year note dropped to 3.04%, the lowest level since December 7 of last year. Some strategists feel the rally in Treasuries indicates the U.S. is still a long way from a true economic recovery, or at least one that causes inflation and higher interest rates. The combination of weak economic growth, euro zone sovereign debt problems and market technicals imply the 10-year yield has the potential to fall below 3% in coming weeks, a scenario most market strategists viewed as highly improbable in their beginning of the year outlook for 2011. Some of the more ardent bond market bulls believe that as concerns over the U.S. deficit and debt levels continue to mount, the U.S. will likely have years of painful retrenchment and tax increases, which will be contractionary in nature and keep interest rates low. In contrast, bond market bears, including PIMCO's Bill Gross, suggest the end of the Federal Reserve's quantitative easing program along with negative real yields will push prices higher.



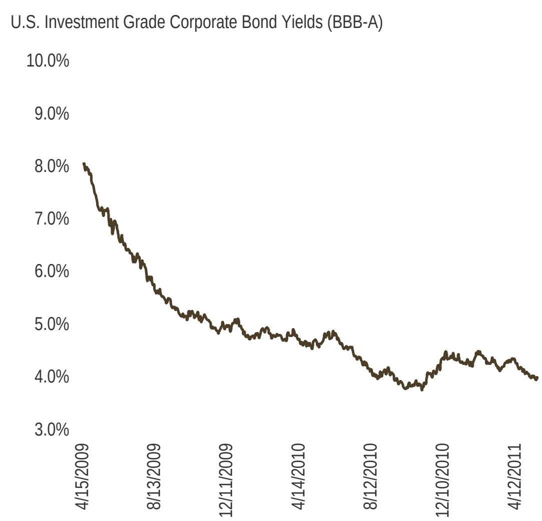
Source: U.S. Department of Treasury, Standard & Poor's, FTN Financial
*Taxable Equivalent rate is calculated by using a 35% tax margin

Issue	5.20.11	5.27.11	Change
3 month T-Bill	0.05%	0.05%	0.00%
2-Year Treasury	0.55%	0.48%	-0.07%
5-Year Treasury	1.85%	1.72%	-0.13%
10-Year Treasury	3.17%	3.07%	-0.10%
30-Year Treasury	4.30%	4.23%	-0.07%

Source: Bloomberg, FTN Financial, The Wall Street Journal, U.S. Department of Treasury.



Source: Merrill Lynch



Source: Merrill Lynch

Stock Market Update

Stock markets worldwide began the week with heavy selling on continued concerns about the European debt crisis and worries about China's economic growth. As the European Central Bank and euro-zone governments continue to dispute about how best to handle Greece's large and growing debt burden, Italy's credit rating was lowered by S&P and Spain's ruling party was defeated in weekend elections. Most major markets were down at least over 1% on Monday. China fell 2.9% to its lowest close since April 9.

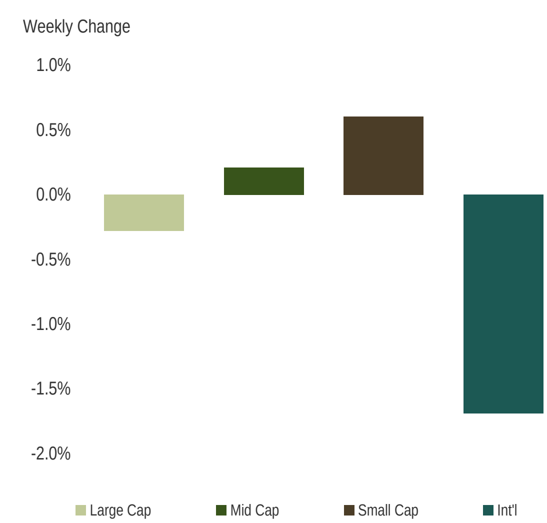
Slower-than-expected consumer spending growth, a stronger-than-forecast rise in consumer confidence, and a steep plunge in pending home sales were not enough to offset the weakness earlier in the period. For the week, The Dow Jones Industrial Average closed at 12,428.26, down 0.7% for the week. The broader S&P Index ended the week at 1330, a decline of 0.3%. The NASDAQ closed at 2792.14, off 0.4%. Overseas developed markets as measured by the MSCI EAFE Index fell 1.7% for the week. Trading volume remained light.

On Tuesday, Goldman Sachs lowered its forecast for China's economic growth from 10% to 9.4%, citing recent weak economic data and higher oil prices. This followed an HSBC report that China's preliminary purchasing managers' index (PMI) stood at 51.1 in May, a 10-month low, down from a final reading of 51.8 in April. In another sign of weakness, China's industrial added value grew 13.4 % in April, 1.4 percentage points down from the 14.8% growth seen in the prior month.

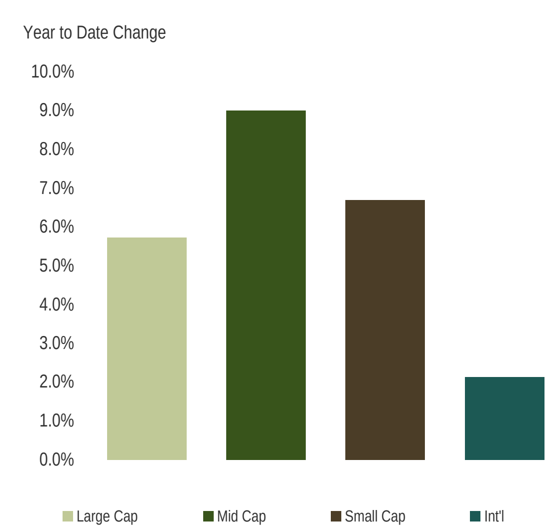
Here at home, AIG and the U.S. Treasury sold $9 billion in shares, reducing the government's stake from 92% to 77%, in the first share offering since the record bailout 2 1/2 years ago. Other stocks of note this week include Cheniere Energy (LNG) whose stock rose 17% on Monday after it won government approval to export liquefied natural gas to more countries. Information products distributor Tech Data (TECD) missed revenue growth estimates and the stock declined over 13% for the week.

Issue	5.20.11	5.27.11	Change
Dow Jones	12,512.04	12,428.26	-0.67%
S&P 500	1,333.26	1,329.54	-0.28%
NASDAQ	2,803.32	2,792.14	-0.40%
Russell 1000 Growth	614.20	612.52	-0.27%
S&P MidCap 400	986.8	988.85	0.21%
Russell 2000	831.02	836.03	0.60%
MSCI EAFE	1,713.75	1,684.84	-1.69%
MSCI EM	1,140.43	1,133.37	-0.62%
MSCI Small Cap	175.32	172.91	-1.37%

Prices reflect most recent data available at the time of publication
Source: Bloomberg, Russell Investment Company, Standard & Poor's, Morgan Stanley Capital International, The Wall Street Journal, MarketWatch.



Source: Standard & Poor's, Russell Investment Company, MSCI



Source: Standard & Poor's, Russell Investment Company, MSCI

Alternative Investments Market Update

Crude oil closed the week at $100.51 a barrel, up 1.03%, thanks in large part to the Group of Eight (G-8) stating that the global economy is strengthening, as well as the decline in the dollar. An excerpt from the summit noted that "the global recovery is gaining strength and becoming more self-sustained. However, downside risks remain, and internal and external imbalances are still a concern." The G-8 went on to state that the increase in commodity prices and their excessive volatility pose a significant headwind to the recovery.

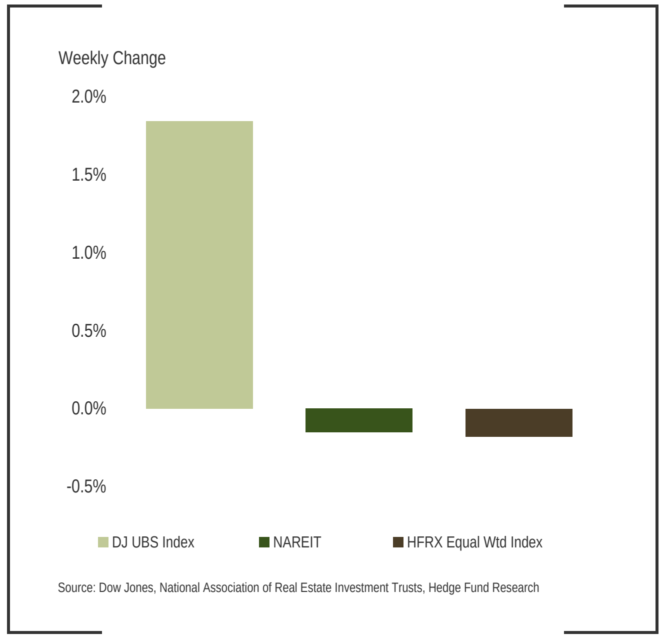
As consumer spending in the U.S. gained less than forecasted numbers in April, the dollar dropped, consequently boosting commodities' appeal as an alternative investment. Gold settled at $1,535.70 an ounce, up $21.60 or 1.43%, while silver finished the week at $37.78 an ounce, up 7.9%. Analysts continue to believe that if looking for volatility, silver is your precious metal, whereas gold is considered the more stable asset. Sugar ended the week up 2.19%, to close at 22.41 cents a pound. A major factor in this increase was an output decline in Brazil, the world's top producer. Unica, a Brazilian sugar group, stated that output in the main growing region fell 17% in the first half of May from a year earlier.

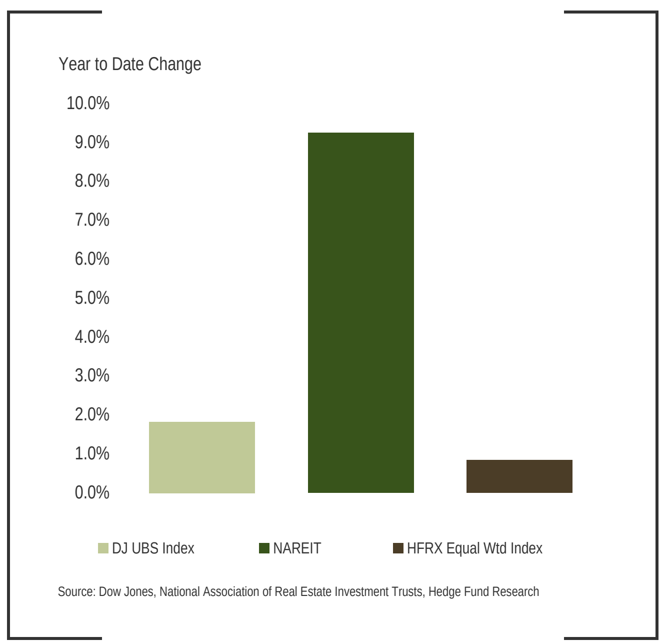
Seeking to boost long-term returns, public pension plans are starting to turn to hedge-fund investments. According to a report from the Wall Street Journal, despite the criticism that many associate with hedge funds, many outperformed the S&P 500 during the market downturn in 2008. The average hedge-fund allocation among public pensions has increased to 6.8% this year, from 6.5% for 2010 and 3.6% in 2007, according to data-tracker Preqin. The number of public pension plans investing in hedge funds has leapt 50% since 2007 to 300 as well. State pension systems had $63 billion invested in hedge funds as of their fiscal 2010 and are expected to invest another $20 billion in the next two years.

Issue	Previous Week	Current[1]	Change
Gold	1,514.10	1,535.70	1.43%
Crude Oil Futures	99.49	100.51	1.03%
Copper	410.75	417.85	1.73%
Sugar	22.41	22.90	2.19%
HFRX Equal Wtd. Strat. Index	1,179.17	1,177.07	-0.18%
HFRX Equity Hedge Index	1,152.91	1,146.11	-0.59%
HFRX Equity Market Neutral	1,024.15	1,022.77	-0.13%
HFRX Event Driven	1,414.06	1,408.64	-0.38%
HFRX Merger Arbitrage	1,547.02	1,556.57	0.62%
Dow Jones UBS Commodity Index	162.35	165.35	1.84%
FTSE/NAREIT All REIT	147.03	146.81	-0.15%

1 Prices reflect most recent data available at the time of publication

Source: Dow Jones, National Association of Real Estate Investment Trusts, Hedge Fund Research, Bloomberg, The Wall Street Journal, The International Monetary Fund.





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